

## Confidential Summary

Co-Ownership Interests in a  
Class-A, Luxury Apartment-Home Community  
KINGS COVE ♦ KINGWOOD, TEXAS

Minimum Purchase: \$300,000 (Individual and/or Trust)  
\$1,000,000 (Corporation, Partnership or LLC)



September 10, 2008



Co-Ownership Interests will be sold exclusively through licensed real estate brokers to qualified Buyers

SCI Real Estate Investments, LLC  
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## CONFIDENTIALITY AGREEMENT

SCI Real Estate Investments, LLC or an affiliate (collectively with any affiliates, "Seller") is prepared to furnish you, through your real estate broker, with certain information relating to the potential acquisition of an undivided co-ownership interest ("Interest") in the Kings Cove Apartments located in Kingwood, Texas (the "Property") from Seller (the "Acquisition"). Hereinafter, each holder of an Interest shall be referred to as a "Co-Owner" and collectively as "Co-Owners." As a condition to your being furnished with such information, whether furnished before or after the date of this Confidential Summary (this "Summary") and whether in writing or in an oral, visual or electronic form, you agree to treat all information concerning all aspects of Seller's structure, business and operations (whether prepared by Seller, its advisors or otherwise) that is furnished to you by or on behalf of Seller and all analyses, compilations, forecasts, studies or any other documents prepared by you or your representatives in connection with the Acquisition (herein collectively referred to as the "Proprietary Information") as strictly confidential.

The term "Proprietary Information" does not include information that (i) is already in your possession on a non-confidential basis, (ii) becomes generally available to the public other than as a result of a disclosure by you or your Representatives (as defined below), or (iii) becomes available to you or your employees, directors, officers, affiliates, attorneys, accountants, real estate brokers, agents or advisors, as applicable, who are actively and directly participating in your evaluation (collectively, "Representatives") on a non-confidential basis from a source other than Seller or its advisors, provided that such source was not bound by an obligation of confidentiality owed to Seller.

By receiving this Summary, you agree (i) not to disclose in any fashion any Proprietary Information to any person other than your Representatives and to cause those persons to observe the terms of this Confidentiality Agreement, (ii) not to use Proprietary Information for any purpose other than your evaluation of the Acquisition, and (iii) not to use the Proprietary Information in any way detrimental to Seller. You will be responsible for any breach of the terms of this Confidentiality Agreement by you, your Representatives or your client, as applicable.

If you are required by applicable law or regulatory process to disclose any of the Proprietary Information, you shall provide Seller with prompt notice of any request or requirement so that Seller may seek an appropriate protective order should it desire to do so. In the absence of a protective order, you are legally obligated to disclose any of the Proprietary Information, you may disclose such Proprietary Information only to the extent so obligated.

Any photocopying or other duplication of any Proprietary Information is strictly prohibited. If either party decides that it does not wish to proceed with the proposed Acquisition, you shall promptly return to Seller all written material pertaining to or reflecting any Proprietary Information and delete from all retrieval systems and data bases any information reflecting Proprietary Information, without retaining any copy thereof, or if Seller so directs, you shall destroy all such material. The return or destruction of such material shall in no event relieve you of any obligation of confidentiality regarding the Proprietary Information.

While Seller has endeavored to include information that Seller believes to be reliable and relevant for the purpose of evaluating the Property, Seller does not make any express or implied representation or warranty as to the accuracy or completeness of such information. None of Seller, its representatives, its respective officers, directors, employees, agents or controlling persons of such persons or entities shall have any liability to you or any of your Representatives relating to or arising from your or their use of any information relating to the Property or for any errors therein or omissions therefrom. You and your Representatives are not entitled to rely on the accuracy or completeness of such information, and buyers of an Interest in the Property shall be entitled to rely solely on such representations and warranties as may be made to them in any final definitive agreement relating to the Acquisition. Unless and until a definitive written agreement is entered into between Seller and a prospective buyer, neither party will be under any legal obligation of any kind whatsoever with respect to the Acquisition except for matters specifically agreed to in this Confidentiality Agreement.

You agree that money damages would not be a sufficient remedy for breach of this Confidentiality Agreement by you or your Representatives, and Seller shall be entitled to specific performance and injunctive relief, in addition to all other remedies available to Seller at law or equity.

This Confidentiality Agreement shall be governed by and construed in accordance with the laws of the State of California, other than conflict of laws principles, and the parties hereto expressly submit to the laws and the jurisdiction of the courts of the State of California and the federal courts located therein. This Confidentiality Agreement contains the entire agreement between you and Seller concerning the confidentiality of the Proprietary Information, and no modification of this Confidentiality Agreement or waiver of the terms and conditions hereof shall be binding upon you or Seller, unless approved in writing by each party.



## PROPERTY HIGHLIGHTS

- ◆ Total Acquisition Cost: \$22,856,000
- ◆ Equity Raise: \$9,531,000 (approx.)
- ◆ 6.25%\* current year one cash-on-cash yield (pro forma)
- ◆ Constructed in 2007
- ◆ 192 units / Avg. Unit Size: 967 SF
- ◆ 97% occupied as of 9/9/2008
- ◆ Net Rentable Area: 185,580 SF
- ◆ Located within the Kings Harbor Waterfront Village

\* As of September 9, 2008 the actual floating interest rate would have been 5.25%, which would have equated to a 6.50% cash-on-cash yield. Due to the floating interest rate loan terms, Seller has set the targeted pro forma return for year one at 6.25%. The interest rate is capped at a maximum rate of 6.25%. If the interest rate were to reach 6.25%, the cash-on-cash yield would be 5.00%.



## PROPERTY HIGHLIGHTS (CONTINUED)

- ◆ Zoning and deed restrictions are in place in Kingwood
- ◆ Located next to a community comprised of high-end, single-family homes with high median household incomes
- ◆ Located near two of Houston's major highways and several thoroughfares
- ◆ Major employment centers located within minutes of the Property
- ◆ Located within the Humble ISD, a nationally recognized school district
- ◆ Close proximity to multiple championship caliber golf courses

## EXECUTIVE SUMMARY

(THE FOLLOWING INFORMATION HAS BEEN OBTAINED FROM VARIOUS THIRD PARTY SOURCES AND NO REPRESENTATION IS MADE AS TO ITS ACCURACY OR COMPLETENESS)

The Property is a Class-A luxury apartment community located on the northeast corner of Lake Houston in



Kings Cove amenities include a tropically landscaped pool, outdoor gourmet grill with island, access gate system and 24-hour emergency maintenance. Detached garages and covered parking is available.

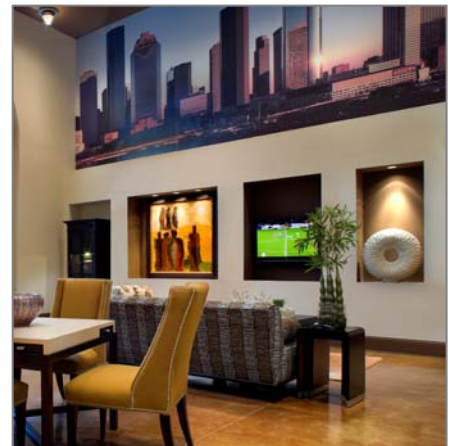
Kingwood, Texas, a suburb of Houston. Kingwood is located 25 miles north of Houston, is in close proximity to George Bush Intercontinental Airport and is accessible by several major highways and non-highway thoroughfares. The Property is part of Kingwood, one of Houston’s master planned communities originally developed as a series of “villages” consisting of neighborhood shopping centers, Class-A office space and outdoor recreational venues. Kings Harbor Waterfront Village is a new mixed-use development that encompasses over 30,000 square feet of Class-A office space and over 60,000 square feet of retail/restaurant space.

**Strong Demographics and Growth Potential:** The area surrounding the Property is experiencing rapid growth. By 2012, the population within one mile of the

Property is projected to grow by over 13%. Within five miles of the Property, the population is projected to grow by 12.97%. This growth is expected to bring the population to over 133,000 within five miles of the Property. The number of family households is also growing. Within one mile of the Property, the number of family households is expected to grow by 14.17%, by 2012.

The estimated average family household income within one mile of the Property is \$148,120 and the estimated median housing value within one mile of the Property is over \$440,000 with housing values ranging from \$315,000 to \$1,290,000. More than 34% of the homes within a one mile radius of the Property are valued at \$300,000 or greater.

**Location:** The Property is located near a number of major thoroughfares and employment centers, making all parts of Houston easily accessible. Greenspoint Business District is approximately 13 miles from the Property, Beltway 8 is just over 6.5 miles away, US-59 is less than five miles away and FM 1960 is just over two miles from the Property. Kingwood Drive is just over one mile from the Property and Lake Houston Parkway is only steps away.



## EXECUTIVE SUMMARY (CONTINUED)

The Property is within the Humble Independent School District, which is nationally recognized for the quality of education offered to students and is among the 25 fastest growing school districts in Texas. In addition to being located next door to Deerwood Golf Club, there are also a number of country clubs in the area that feature championship caliber golf courses, including The Redstone Golf Club, home of the PGA Tour's Shell Houston Open. The Property is also within walking distance of Kingwood Country Club.

**Zoning and Deed Restrictions:** Kingwood has zoning and deed restrictions in place that require certain standards of maintenance, upkeep, and behavior to make the community as attractive as possible and limiting new development. High density multi-family development will be particularly limited, due to four story apartments being prohibited.

**Retail and Single-Family Development:** Located only minutes from the Property, Kings Crossing Town Center is a mixed-use development incorporating retail and multiple residential "villages". In addition, there is a 70-acre retail development, Kingwood CrossRoads, planned for the west side of US-59.

**Employment Centers:** Kingwood-area employment centers boast some of the largest employers in the Houston area, including Halliburton, Administaff, Intercontinental Airport, North Houston/Kingwood Community College, Continental Airlines, Kingwood Medical Center, Super Wal-Mart, and the Redstone Golf Club. Also, approximately 13 miles southwest of the Property is the Greenspoint Business District, which is home to an estimated 50,000 employees and 4,000 businesses. The Greenspoint Business District also serves as the national headquarters for approximately 20 corporations.



Kings Cove is also a part of the Kings Harbor Waterfront Village, a new mixed-use development that encompasses over 30,000 square feet of Class-A office space and over 60,000 square feet of retail/restaurant space.



Kings Cove features a tropically landscaped, resort-style pool.

SCI Real Estate Investments ♦ Kings Cove – Kingwood, Texas  
The information contained in this summary is confidential and proprietary.